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C O N F I D E N T I A L SECTION 01 OF 03 GUANGZHOU 032173

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E.O. 12958: DECL: 11/06/16

TAGS: PREL PGOV SOCI CH TW

SUBJECT: Limited Constitutional Reform OK, say Xiamen Experts, but We Want Ma

REF: A) Guangzhou 31564; B) Guangzhou 30123

¶1. (U) Classified by Consul General Robert Goldberg.  
Reason 1.4 (d).

¶2. (C) SUMMARY: In October 30 meetings with U.S. officers, Xiamen-based Taiwan experts, city officials and Taiwan businessmen were upbeat about cross-Straight ties, touted increased economic and cultural exchanges and said that tensions across the Taiwan Strait would gradually be reduced, though they did remain wary of Chen Shui-bian's "propensity to make trouble for cross-Straight relations" and expressed concern about potential changes in KMT cross-Straight policies. Representatives from the local Taiwan business association said they encounter more political pressure from Taipei than Beijing and claimed that 300-400 million people on the Mainland are dependent to some extent on Taiwan-invested businesses for their livelihoods. END SUMMARY.

Taiwan Watchers Watching Chen

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¶3. (C) Scholars at Xiamen University's prestigious Taiwan Research Institute (TRI) told visiting poloffs that they did not believe Chen Shui-bian would step down before 2008, though they did view KMT leader Ma Ying-jeou's chances in the 2008 Presidential race positively. TRI Director Liu Guoshen told Poloffs he believes Chen Shui-bian will remain in power until 2008 because "it's too difficult to remove him through judicial means." Liu complained that Chen Shui-bian has wasted his efforts on "challenges" to China's sovereignty instead of focusing on economic development, pointing out that the international community almost universally recognizes China and opposes Taiwan independence.

¶4. (C) Nevertheless, according to Liu, Beijing is concerned about Ma's position on cross-Straight ties because he has publicly stated that "the Taiwan people's choice should be respected" regarding Taiwan's independence. While Liu said he believes that this is campaign rhetoric, he predicted that Ma will continue to raise what Liu referred to as "misconceptions" about the Mainland's policies regarding, for example, the Tiananmen and Falun Gong crackdowns. Liu argued that the Mainland has made "great strides" in democratic reform, citing the recent ouster of Shanghai leader Chen Liangyu on corruption charges (Comment: Though the opposite argument could be

made--his removal was anything but democratic. End comment). Liu acknowledged that Chen Shui-bian has made some contributions to improving and deepening democracy in Taiwan. Liu believes, however, the DPP has used the slogan of "democracy" mainly as a tool for gaining and sustaining power.

#### Suspicious of Constitutional Moves

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¶5. (C) Regarding the constitutional reform issue, Professor Li Peng said the Constitution of the Republic of China, particularly the articles relating to sovereignty and territory, have been "frozen" since 1949. Amendments to the Constitution beginning in 1991 have started to take some of these articles "out of the freezer." Director Liu asserted that there are now two opinions in the DPP over the constitutional reform issue. One advocates major alterations that would touch on sovereignty and territorial issues; the other advocates making changes only regarding the relationship between the Executive Yuan/Legislative Yuan and the President. Liu said that because of pressure from China and the United States, Chen will not change the sensitive articles concerning Taiwan's relationship with the mainland. He added the Mainland could tolerate changes touching only on internal governance issues, but the problem is that any DPP-proposed changes will in fact be aimed at de jure independence. Any change incorporating self-determination into the constitution would be unacceptable to Beijing, Liu warned. Professor Zhang Wenzhang suggested that the "territorial" issue is important to Chen because he has run out other options for reform.

#### Taiwan Affairs Office Touts Cooperation

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¶6. (C) Wang Mingshui, Deputy Director of the Xiamen Taiwan Affairs Office (TAO), expressed hope that the two sides could promote more cross-Straits cultural and religious exchanges, which he said have been quite successful. Wang estimated that Xiamen has approximately 70,000 Taiwan residents, 190 Taiwan university students, and 7,000 Kinmen residents who own apartments in Xiamen.

¶7. (C) Wang noted the willingness of the Xiamen government to help the people of Taiwan. Recently, when Xiamen leaders learned of Taiwan's banana glut, the Xiamen government imported over 100 tons of surplus Taiwan bananas. While purchase was made at a loss to Xiamen (the bananas arrived spoiled), the decision was intended to help Taiwan. Following Xiamen's largesse, Wang said, Chen Shui-bian mobilized the Taiwan military to buy the rest of the bananas.

¶8. (C) Wang argued that cross-straits direct flights should become more regular, or at least be available on weekends, because of the savings in time and money. The cost to fly from the mainland to Taiwan via Hong Kong or Macau is around USD 500, but only USD 192 if using direct flights. Similarly it takes one hour and 20 minutes to fly to Taiwan via Hong Kong, while a direct flight from Xiamen to Taiwan takes only 35 minutes. Wang argued there are potentially 4-5 million Taiwan residents who would come to the mainland annually if direct flights were available. The problem he believes lies with Chen, who Wang said dismissed former Prime Minister Frank Hsieh "because Hsieh was trying to facilitate the Three Links."

¶9. (C) Wang was optimistic that cross-Strait tensions would remain manageable through 2008 because, he said, "the major stakeholders (United States, mainland China and the Taiwan public) all favor maintaining the status quo." Moreover, he said that the Xiamen TAO does not believe that

all members of the DPP are pro-independence, as some anti-independence DPP legislators recently visited Xiamen. Wang said his office is concerned, nevertheless, about Chen Shui-bian's possible "dangerous" moves toward independence and called for close consultation between China and the United States.

Taiwan Business Leaders Focus on Pragmatism

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**¶10. (C)** Leaders from the Xiamen Taiwan Business Association (TBA) said they meet with Taiwan government officials three times a year. During these meetings they have suggested that Taiwan should better use its advantageous location in the Asia-Pacific region through closer ties with the Mainland. The leaders believe that at most only 20-30 percent of the Taiwan population is pro-independence, while the majority agrees that Taiwan and the mainland are "just one family." One leader noted that the mainland has become more politically mature and milder in its speech. In the past, the mainland's slogan was "one country two systems to unify China," however, in recent speeches by Wu Yi and Jia Qinglin, the focus has been on "peaceful development for both sides of the straits." One of the businessmen likened the situation to a man proposing to a woman. The suitor cannot say "if you don't marry me, I will beat you up." Instead the mainland should offer many advantages to marriage and humbly propose a union.

Government Pressure and Possibility of War?

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**¶11. (C)** The businessmen said they received more pressure from the Taiwan government than from the mainland government, because Taiwan stipulates that any investment projects to the mainland in excess of USD 2 million should be reported and reviewed by the government. According to the businessmen, 300-400 million mainlanders directly or indirectly live off of wages from Taiwan-invested companies. The businessmen believe this economic integration will help prevent war. The Xiamen TBA leaders believe the cross-straits situation would improve if the KMT wins in 2008. They characterized Chen Shui-bian as an irresolute lawyer who has had five premiers in six years and knows little about economics.

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**¶12. (U)** This cable has been coordinated with Embassy Beijing.

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